

NONGOMA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note	2011 R	2010 Restated R
NET ASSETS AND LIABILITIES			
Accumulated Surplus		69,383,045	45,139,071
Non-current liabilities		4,252,668	4,444,632
Instalment sale obligation	1	-	304,907
Refuse site rehabilitation provision	2	1,752,668	1,384,725
Post retirement medical benefits	3	2,500,000	2,755,000
Current liabilities		21,742,014	27,651,420
Creditors	4	16,906,536	14,996,125
Unspent conditional grants and receipts	5	3,243,880	10,948,200
Instalment sale obligation	1	302,926	458,095
Refuse site rehabilitation provision	2	1,288,672	1,232,000
Post retirement medical benefits	3	-	17,000
TOTAL LIABILITIES		25,994,682	32,096,052
NET ASSETS AND LIABILITIES		95,377,727	77,235,123
ASSETS			
Non-current assets		86,058,214	55,669,123
Non - current receivables	6	-	-
Property, plant and equipment	7	85,522,415	55,644,588
Intangible assets	8	535,799	24,535
Current assets		9,319,513	21,566,000
Consumer debtors	9	6,601,085	4,495,720
Other debtors	10	44,264	2,289,098
Prepaid subscriptions	10	-	128,230
Value Added Tax (VAT)	11	1,876,770	5,221,094
Bank and cash	12	213,032	1,551,276
Investments	13	584,362	7,882,582
TOTAL ASSETS		95,377,727	77,235,123

NONGOMA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	2010 R Restated
REVENUE			
Property Rates	14	2,755,780	3,594,035
Refuse Removal		1,011,869	450,817
Penalty Interest - Rates		753,072	390,933
Fines		29,770	25,050
Licences and permits		739,731	723,800
Profit on disposal of assets		21,686	-
Interest	15	307,139	265,617
Government grants and subsidies	16	88,814,947	53,958,771
Post retirement medical benefits	3	272,000	-
Gain on fair valuation of assets	7	628,937	-
Other Income	17	278,820	1,442,677
TOTAL REVENUE		85,613,750	60,851,700
EXPENDITURE			
Employee Related Costs	18	23,942,873	19,372,419
Councillors remuneration	19	7,389,857	7,021,799
Depreciation	7	4,042,116	2,164,243
Amortisation	8	333,327	8,994
Finance costs	20	275,804	470,250
General expenses	21	25,902,091	13,213,168
Impairment	7	-	1,006,448
Refuse site rehabilitation provision		160,754	2,616,725
Post Retirement Medical Benefits	3	-	575,000
Audit Fees		1,353,154	1,102,121
Repairs and maintenance		1,979,938	841,070
Debt Impairment	10 & 11	5,989,862	3,383,683
TOTAL EXPENDITURE		71,369,776	51,775,920
NET SURPLUS		24,243,974	9,075,780

**NONGOMA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2011**

	R
2009/2010	
Accumulated Surplus / (Deficit) as previously reported 01 July 2009	37,213,991
Prior year adjustment as per Audited Financial Statements	10,267,596
Recognition of Eskom Creditor (refer to note 24)	(5,375,976)
Reversal of amount for MIG written off in previous year (refer to note 24)	(5,412,062)
Landsale debt written off	(630,258)
Restated Prior Year Surplus/(deficit) (Refer to note 24)	9,075,780
Restated Accumulated Surplus / (Deficit) as at 30 June 2010	45,139,071
Current Year Surplus	24,243,974
Accumulated Surplus as at 30 June 2011	69,383,045

**NONGOMA MUNICIPALITY
CASH FLOW STATEMENT
FOR THE PERIOD ENDING 30 JUNE 2011**

	Note	2011 R	2010 R Restated
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		91,997,295	58,197,464
Cash paid to suppliers and employees		(64,256,602)	(44,119,403)
Cash generated from operations	22	27,740,693	14,078,061
Interest received		307,139	656,550
Finance costs		(275,804)	(470,250)
Increase in value-added tax claim		(1,868,235)	(2,010,344)
Net cash from operating activities		25,903,793	12,254,017
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(33,337,587)	(11,391,954)
Purchase of Intangible Assets		(844,591)	-
Proceeds from Disposal of Assets		68,270	-
(Increase)/Decrease in non Current Receivables		18,500	(630,258)
Net cash flow from Investing activities		(34,095,408)	(12,022,212)
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in Long Term Liabilities		(460,076)	(470,903)
Prior Year Adjustments (refer to note 24)		15 226	10,267,597
		(444,850)	9,796,694
Net Increase in cash and cash cash equivalents		(8,636,465)	10,028,499
Cash and cash equivalents			
At the beginning of the year	23	9,433,859	(594,640)
At the end of the year	23	797,394	9,433,859
Net increase in cash and cash cash equivalents		(8,636,465)	10,028,499

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2011

1. BASIS OF ACCOUNTING

1.1 BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

1.2 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standard has been issued but is not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standard noted below will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

- GRAP 18 Segment Reporting - Issued March 2005

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

- IAS 19 Employee Benefits - effective 1 January 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - effective 01 April 2012
- GRAP 24 Presentation of Budget Information in Financial Statements - effective 01 April 2012
- GRAP 103 Heritage Assets - effective 01 April 2012

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

A summary of the significant accounting policies, which have been consistently applied except where a transitional provision has been granted are disclosed below in paragraphs 4 to 18.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an appendix D to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost or fair value less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises purchase price, import duties, non-refundable purchase taxes and directly attributable costs of bringing the asset to working condition for its intended use, such as site preparation, initial delivery, handling, installation and professional fees. Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Items of property, plant and equipment which are acquired for no cost or for a nominal cost are recognised at their fair values.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The cost or fair value of property, plant and equipment is depreciated using the straight line method over the period of the estimated useful lives of the assets. Depreciation on new acquisitions is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to Council.

The annual depreciation rates are based on the following estimated asset lives:-

<u>DETAILS</u>	<u>YEARS</u>
Infrastructure	
Roads	10-50
Other Assets	
Buildings	25-30
Machinery and Equipment	4-15
Furniture and office equipment	7-10
Computers	5
Motor vehicles	7

The estimated useful lives and residual values of property, plant and equipment are periodically reviewed and adjusted where necessary.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Nongoma Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of property plant and equipment as set out in paragraphs 73 to 83.

6. INTANGIBLE ASSETS

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

7. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Payments made under operating lease agreements are expensed and charged to the Statement of Financial Performance on a straight line basis over the period of the lease. These agreements do not transfer risk and rewards associated with ownership of an asset to the Municipality.

Nongoma Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 Issued in March 2009, with respect to the measurement of leases as set out in paragraphs 55 to 60.

8. FINANCIAL INSTRUMENTS

Financial instruments are initially measured at fair value. The subsequent measurement of financial instruments is dealt with below and in the absence of an approved GRAP Standard, is in accordance with IAS 39.

8.1 INVESTMENTS

Financial instruments, which include fixed deposits and short-term deposits invested in registered commercial banks are stated in the annual financial statements at the lower of cost or fair value. No impairments are required as the cost values equate to their cash values.

Where investments have been impaired, the carrying values are adjusted by the impairment losses, which are recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net proceeds on disposal and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2 CONSUMER AND OTHER RECEIVABLES

Consumer and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Bad debts are written off during the year in which they are identified.

An impairment or bad debt loss is recognised when it is probable that the Municipality will not be able to collect all amounts due (principal and interest) according to the contractual terms of the accounts receivable. The assessment of objective indicators of impairment for accounts receivable is carried out at each balance sheet date.

8.3. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of twelve months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

8.4 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discounts or premiums on settlement. Gains and losses are recognised in net income or loss when liabilities are impaired as well as through the amortisation process.

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received. The liabilities are generally settled within a period of 30 days, accordingly impairments, if any, are considered to be immaterial.

9. REVENUE RECOGNITION

9.1 Revenue from Exchange Transactions

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered and the fee has been charged or licences and permits have been issued.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

9.2 Revenue from non-exchange transactions

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when payment is received together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

10. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

11. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

Nongoma Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of Provisions as set out in paragraphs 93 - 94E.

12. RETIREMENT BENEFITS

The Municipality operates various pension schemes. These schemes are funded through trustee administered funds. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions.

Contributions are recognised as an expense in the Statement of Financial Performance in the year in which they become payable.

The liability recognised in the statement of financial position is in respect of defined benefit plan for post employment health care benefits. The fund is actuarially valued each year using the discounted cash flow method. Any deficits identified by the actuary are recovered from the municipality in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable.

The liability for the defined benefit plan is being recognised in the statement of financial position over a 5 year period per the transitional provisions afforded to the Municipality in terms of IAS 19, paragraph 155(b).

13. DEPOSITS

Deposits received from consumers are based on a set tariff for prepaid electricity meters and conventional electricity meters. The deposit for domestic and business customers using conventional electricity meters may be increased based on consumption. In the event of a disconnection of service for non payment, the value of the deposit is reviewed and adjusted in terms of the Council's consumer deposits policy. No interest is paid on deposits held.

14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearer's Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. TRANSITIONAL PROVISIONS

Nongoma Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 Issued in March 2009 as follows:

- GRAP 1 Presentation of Financial Statements – paragraphs 7-8A
- GRAP 9 Revenue from Exchange Transactions – paragraphs 37-38
- GRAP 12 Inventories – paragraphs 45-52
- GRAP 13 Leases – paragraphs 55-60
- GRAP 16 Investment Properties – paragraphs 63-70
- GRAP 17 Property, Plant and Equipment – paragraphs 73-83
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets – paragraphs 93-94E
- GRAP 100 Non-current assets held for sale and discontinued operations – paragraphs 97-98
- GRAP 102 Intangible Assets – paragraphs 110-118
- IAS 19 Retirement benefits – paragraph 155(b).

The municipality has developed a plan to implement the above transitional provisions within the window period established in Directive 4. Progress will be evaluated during each reporting period.

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
1 INSTALMENT SALE OBLIGATION		
Non-current liabilities	-	304 907
Current portion transferred to Current liabilities	302 926	458 095
	<u>302 926</u>	<u>763 002</u>
Minimum payments due		
- within one year	302 926	458 095
- in second to fifth year inclusive	-	304 907
Total Commitments	<u>302 926</u>	<u>763 002</u>

Refer to Appendix A for further detail

The Instalment Sale Agreements are with Wesbank for the purchase of vehicles and bear interest at 14.5% per annum. The loans are repayable over 6 months. The liability is secured against vehicles with a cost price of R1 727 688.

2 REFUSE SITE REHABILITATION PROVISION		
Opening balance Current and non - current	2 616 725	3 617 000
Effects of Discounting (Refer to note 24)	-	(1 000 275)
Unwinding of Discounting	263 861	-
Contribution to Provision	160 754	-
Less: Current portion transferred to current liabilities	(1 288 672)	(1 232 000)
Long term portion of refuse site rehabilitation Provision	<u>1 752 668</u>	<u>1 384 725</u>

Provision has been made for the estimated costs of rehabilitating the council's refuse site. The estimated cost has been determined by the Council's consulting engineer. The estimate covers the period of five (5) years.

3 Post Retirement Medical Benefits

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans. An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2011 interim valuations have not yet been released.

**2011
R**

**2010
R**

Superannuation Fund

The latest statutory valuation of the Superannuation Fund (defined benefit) as at 31 March 2008 concluded that:

- The Fund was fully funded and financially sound on the discounted cash flow method.
- The required contribution rate for the future service exceeded the contribution rate payable by 1,27% of pensionable salaries.

The interim valuation carried out on the Superannuation Fund as at 31 March 2009 reflected:

- The memorandum account in respect of pensioners was fully funded.
- There was a small deficit in respect of active members which is being met by the surcharge of 7% of pensionable salaries.
- The required contribution rate for the future service exceeded the contribution rate payable by 1,50% of pensionable salaries.

Retirement Fund

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2009 reflected:

- The memorandum account in respect of pensioners was fully funded
- Based on the valuation assumptions applied in 2000, the Fund was fully funded, however based on revised assumptions the Funds liabilities for the contributory members exceeded the value of the assets and an extension of the surcharge for another 5 years would be necessary to return the funding level to 100%.

The interim valuation carried out on the Retirement Fund as at 31 March 2010 reflected:

- The memorandum account in respect of pensioners was fully funded on the discounted cash flow method.
- The Funds liabilities for the contributory members exceeded the value of the assets; it is expected that the shortfall will be funded by a surcharge of 17% of pensionable emoluments by 2015.

Provident Fund

The latest statutory valuation of the Provident Fund (defined contribution) as at 31 March 2009 and the interim valuation as at 31 March 2010 revealed that the fund was in a sound financial position.

Post-employment medical benefits

The municipality operates on 4 accredited medical aid schemes, namely Key Health, LA Health, Bonitas and Medshield.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, Alexander Forbes Health (Pty) Ltd, carry out a statutory valuation on an annual basis.

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
8 INTANGIBLE ASSETS		
Carrying values	<u>535,799</u>	<u>24,535</u>
COST		
Balance at the beginning of the year	47,010	47,010
Additions	844,581	-
Balance at the end of the year	<u>891,801</u>	<u>47,010</u>
ACCUMULATED AMORTISATION		
Balance at the beginning of the year	(22,475)	(13,481)
Amortisation	(333,327)	(8,994)
Balance at the end of the year	<u>(355,802)</u>	<u>(22,475)</u>
9 CONSUMER DEBTORS		
Rates	5,953,256	4,194,717
Refuse	4,141,672	3,274,920
Bill boards and Office Rental	61,786	55,707
Service Fee	308,588	285,827
Grazing	9,181	9,181
Total Consumer Debtors	<u>10,494,483</u>	<u>7,820,352</u>
Less provision for bad debts	(3,893,398)	(3,324,632)
Total	<u>6,601,085</u>	<u>4,495,720</u>
<u>Rates: Ageing</u>		
Current (0 – 30 days)	186,473	1,371,253
31 - 60 Days	158,663	172,378
61 - 90 Days	137,537	295,614
91 - 120 Days	124,232	149,708
Greater than 120 days	5,346,351	2,205,767
Total	<u>5,953,256</u>	<u>4,194,718</u>
<i>Note Debtors with Credit balances of R520,551 has been re-allocated and reflected under other creditors. Refer to note 4</i>		

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>Refuse: Ageing</u>		
Current (0 – 30 days)	101,937	38,161
31 - 60 Days	85,212	52,382
61 - 90 Days	74,712	49,383
91 - 120 Days	70,000	47,966

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Reconciliation of the doubtful debt provision		
Balance at beginning of the year	3,324,632	1,512,448
Contributions to provision	568,765	1,812,184
Balance at end of year	3,893,397	3,324,632
10 OTHER DEBTORS		
Sundry Debtors	409,146	1,696,217
Comhousing	-	75,400
Unallocated Receipts	(164,882)	(170,254)
Councillors (Unpaid Pension Contributions)	-	687,735
	244,264	2,289,098
	-	126,230
Prepaid Subscriptions	(200,000)	-
Provision for doubtful debts	44,264	2,415,328
Reconciliation of the doubtful debt provision		
Balance at beginning of the year	-	-
Contributions to provision	200,000	-
Balance at end of year	200,000	-
11 VALUE ADDED TAX (VAT) ASSET / (LIABILITY)	1,876,771	5,221,094
Reconciliation of the doubtful debt provision		
Balance at beginning of the year	-	-
Contributions to provision	5,221,097	-
Balance at end of year	5,221,097	-

VAT is accounted for on the payment basis.

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Library Grant		192,950
Balance unspent at beginning of year	310,966	-
Current year receipts	(310,966)	-
Conditions met - transferred to revenue	-	(192,950)
Adjustment (Expenditure relating to prior year)	-	-
CDW Grant		87
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(87)
Adjustment (Expenditure relating to prior year)	-	-
Tourism Grant		59,429
Balance unspent at beginning of year	80,000	30,000
Current year receipts	(80,000)	(25,981)
Conditions met - transferred to revenue	-	(63,448)
Adjustment (Expenditure relating to prior year)	-	-
Finance Management		1,508,818
Balance unspent at beginning of year	1,695,466	750,000
Current year receipts	1,200,000	(282,534)
Conditions met - transferred to revenue	(1,667,466)	(1,506,818)
Adjustment (Expenditure relating to prior year)	-	-
Amount due to National Treasury in respect of the Finance Management Unspent grant transferred to revenue (Refer to note 24 and appendix E)	-	1,228,000
Conditions still to be met-transferred to liabilities (see note 5)	1,228,000	1,695,466
MIG		5,412,060
Balance unspent at beginning of year	8,904,930	14,989,000
Current year receipts	17,351,000	(11,496,130)
Conditions met - transferred to revenue	(24,463,728)	(5,412,060)
Adjustment (Expenditure relating to prior year)	-	-
Reversal of amount written off in 2010 year (refer to note 24 and Appendix E)	-	5,412,060
Conditions still to be met-transferred to liabilities (see note 5)	1,792,202	8,904,930
PRA and Valuation Roll Grant		217,859
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(217,859)
Adjustment (Expenditure relating to prior year)	-	-

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
GIS		359
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(359)
Adjustment (Expenditure relating to prior year)	-	-
Interdep Monitoring		100,000
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(100,000)
Adjustment (Expenditure relating to prior year)	-	-
PMS		45,348
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(45,348)
Adjustment (Expenditure relating to prior year)	-	-
Property Rates		147,750
Balance unspent at beginning of year	-	-
Current year receipts	-	(10,227)
Conditions met - transferred to revenue	-	(137,523)
Adjustment (Expenditure relating to prior year)	-	-
IDP Grant		90,639
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(90,639)
Adjustment (Expenditure relating to prior year)	-	-
Electricity Capacity Grant		100,000
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(100,000)
Adjustment (Expenditure relating to prior year)	-	-
Housing Holinyoka		(840,080)
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	840,080
Adjustment (Expenditure relating to prior year)	-	-

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Housing Buxedene		(712,860)
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	712,860
Adjustment (Expenditure relating to prior year)	-	-
Project Cons-other		(134,000)
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	134,000
Adjustment (Expenditure relating to prior year)	-	-
MPPCB		391,500
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(391,500)
Adjustment (Expenditure relating to prior year)	-	-
Housing Section Plan		4,950
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(4,950)
Adjustment (Expenditure relating to prior year)	-	-
Prep Funding		30,180
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(30,180)
Adjustment (Expenditure relating to prior year)	-	-
Internal Controls		150,000
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(150,000)
Adjustment (Expenditure relating to prior year)	-	-
Public Participation		87,918
Balance unspent at beginning of year	-	-
Current year receipts	-	(453,455)
Conditions met - transferred to revenue	-	365,537
Adjustment (Expenditure relating to prior year)	-	-

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Construction of Roads		2,000,000
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(2,000,000)
Adjustment (Expenditure relating to prior year)	-	-
MIIP		183,220
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(183,220)
Adjustment (Expenditure relating to prior year)	-	-
GRAP / GAMAP Conversion		300,000
Balance unspent at beginning of year	-	-
Current year receipts	-	(351,120)
Conditions met - transferred to revenue	-	51,120
Adjustment (Expenditure relating to prior year)	-	-
Debt Collection Strategy		100,000
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(100,000)
Adjustment (Expenditure relating to prior year)	-	-
LUMS		250,000
Balance unspent at beginning of year	-	-
Current year receipts	-	(709,545)
Conditions met - transferred to revenue	-	459,545
Adjustment (Expenditure relating to prior year)	-	-
MSIG	147,803	819,266
Balance unspent at beginning of year	750,000	735,000
Current year receipts	(897,803)	(1,433,648)
Conditions met - transferred to revenue	-	27,185
Adjustment (Expenditure relating to prior year)	-	147,803
Conditions still to be met-transferred to liabilities (see note 5)	-	-
Institutional Grant		185
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(185)
Adjustment (Expenditure relating to prior year)	-	-

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Management Assistance Programme		1,185,489
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(1,185,489)
Adjustment (Expenditure relating to prior year)	-	-
LED Grant		15,049
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(15,049)
Adjustment (Expenditure relating to prior year)	-	-
Management Assistance Programme	200,000	-
Balance unspent at beginning of year	-	200,000
Current year receipts	(200,000)	-
Conditions met - transferred to revenue	-	-
Adjustment (Expenditure relating to prior year)	-	200,000
Conditions still to be met-transferred to liabilities (see note 5)	-	-
Neighbourhood Development Partnership		-
Balance unspent at beginning of year	12,000,000	-
Current year receipts	(11,776,322)	-
Conditions met - transferred to revenue	-	-
Adjustment	223,678	-
Conditions still to be met-transferred to liabilities (see note 5)	-	-
17 OTHER INCOME		906
Lost Books	745	1,055,146
Sundry Income	122,232	254,062
Miscellaneous	144,227	120,130
Market Stall Rentals	657	12,433
Plan fees	7,731	-
Rezoning	3,000	-
Business Licence	228	-
	<u>278,820</u>	<u>1,442,677</u>
18 EMPLOYEE RELATED COSTS		
Employee related costs : Salaries and Wages	12,558,911	9,478,371
Contributions to UIF, Pension and Medical Aid	3,329,705	2,662,281
Travel, Motor Car, Accommodation, Subsistence & other allowances	1,115,950	343,751
Housing Benefit and Allowances	15,550	49,238
Overtime Payments	1,252,060	521,544
Leave Pay	986,617	1,586,510
Performance Bonuses	847,808	581,040
Sub - Total Employee Related Costs	<u>20,106,599</u>	<u>15,222,715</u>

There were no advances and loans issued to employees

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
EXECUTIVE MANAGEMENT REMUNERATION: Salaries, Allowances and benefits of employees of the Municipal Manager, Chief Financial officer and Senior managers and officials not included above:		
Remuneration of the Municipal Manager	593,164	389,655
Annual Remuneration	-	-
Performance Bonuses	163,681	114,681
Car Allowance	134,789	129,675
Contribution to UIF, Medical and Pension Fund	<u>891,634</u>	<u>634,011</u>
<p>The position of Chief Financial Officer was performed by use of a consulting service. The consultant is not registered on Nongoma's payroll. The cost amounting to R821 315 (2011), R897 885 (2010) related to this service has therefore been included under Professional fees. Refer to Note 21</p>		
Executive Management Remuneration		
<u>Executive Director: Technical Services</u>	511,413	403,508
Annual Remuneration	-	-
Performance- and other bonuses	81,743	87,841
Travel, motor car, accommodation, subsistence and other allowances	136,697	104,853
Contributions to UIF, Medical and Pension Funds	<u>729,853</u>	<u>596,002</u>
<u>Executive Director: Corporate Services</u>	-	477,956
Annual Remuneration	-	-
Performance- and other bonuses	-	122,467
Travel, motor car, accommodation, subsistence and other allowances	-	121,578
Contributions to UIF, Medical and Pension Funds	<u>-</u>	<u>722,001</u>
<u>Executive Director: Community Services</u>	511,413	477,956
Annual Remuneration	-	-
Performance- and other bonuses	95,894	93,824
Travel, motor car, accommodation, subsistence and other allowances	125,370	113,518
Contributions to UIF, Medical and Pension Funds	<u>732,677</u>	<u>685,298</u>

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Executive Director: Planning Services	511,413	477,956
Annual Remuneration	-	-
Performance- and other bonuses	93,321	94,154
Travel, motor car, accommodation, subsistence and other allowances	145,867	137,069
Contributions to UIF, Medical and Pension Funds	<u>750,401</u>	<u>709,179</u>
Executive Director: Protection Services	511,413	477,956
Annual Remuneration	-	65,172
Performance- and other bonuses	136,679	153,214
Travel, motor car, accommodation, subsistence and other allowances	83,617	106,871
Contributions to UIF, Medical and Pension Funds	<u>731,709</u>	<u>803,213</u>
	<u>23,942,873</u>	<u>19,372,419</u>
TOTAL EMPLOYEE RELATED COSTS		

19 COUNCILLORS REMUNERATION

	348,060	268,156
Mayor's allowance	19,625	118,638
Deputy Mayor's allowance	523,950	392,320
Speaker's allowance	1,318,590	979,888
Executive committee allowances	4,683,603	4,762,291
Ordinary Councillors	496,029	500,508
Medical aid, Pension and UIF contributions	<u>7,389,857</u>	<u>7,021,799</u>

In-kind Benefits

The Speaker is full time whilst the Mayor is part-time. Each is provided with an office and secretarial support at the cost of the Council.
The Mayor has use of the Council owned vehicle for official duties. The Speaker has two full-time bodyguards and the Mayor has two full-time bodyguards and one a full-time driver

20 Finance Costs

	-	91,215
Instalment sales agreements	7,443	7,114
Interest on bank overdraft	-	159,403
Penalty Interest: non- payment of Pension Fund Contributions	-	212,518
WCA Interest and Penalties	4,500	-
Interest on late payment of provisional taxes	-	-
Finance Charges: Unwinding of Discounting on Land Rehabilitation	263,861	-
Provision	<u>275,804</u>	<u>470,250</u>

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
21 GENERAL EXPENSES		
Advertising & Recruitment	279,885	448,601
Uniforms and Clothing	504,800	219,003
Bank Charges	135,762	169,785
Cleaning	1,154,546	571,589
Ward Committee	111,100	84,528
Catering and Refreshments	239,824	259,129
Conference & Seminars	35,521	184,755
Insurance	395,304	460,918
Legal Expenses	283,353	356,883
Stores & Materials	216,229	8,696
Professional Fees	7,339,502	3,805,966
Printing and Stationery	521,728	449,977
Small Tools	10,774	207,503
Security	1,914,387	1,692,200
Subsistence & Transport	862,414	516,789
Teas & Cleaning	389,840	255,632
Telephone	422,975	336,204
Transport	317,066	62,157
Training	494,237	98,292
Pauper Burial	102,718	-
Sports	351,204	164,932
Software & Licences	113,402	35,423
Subscriptions	333,253	149,121
Tourism	67,086	26,215
Fuel	586,676	233,884
Rentals	623,824	447,532
Water and Electricity	329,949	259,640
Neighbourhood Development	2,457,835	8,566
Workmen's Compensation Assurance	-	493,378
HIV Aids	1,814,335	175,240
Public Participation	928,212	476,189
MSIP Grants	-	554,441
Collection Charges	1,135,967	-
IDP Planning	989,049	-
Youth Development and Disabled Persons	28,789	-
Rehabilitation cost	-	-
Local Economic Development	410,543	-
	<u>25,902,091</u>	<u>13,213,168</u>

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

22 CASH GENERATED BY OPERATIONS

	2011 R	2010 R
Surplus for the year	24,243,974	9,075,780
<u>Adjustment for: -</u>		
Profit on disposal of assets	(21,886)	-
Interest Received	(1,060,215)	(656,550)
Actuarial gain on post retirement medical benefits	(272,000)	-
Gain on fair valuation of assets	(628,937)	-
Depreciation: Property, Plant and equipment	4,042,116	2,164,243
Amortisation	333,327	8,994
Actuarial Loss on post retirement medical benefits	-	575,000
Provision for Landfill Site	160,754	3,617,000
Unwinding of Finance costs: Landfill Provision	263,861	470,250
Finance costs actually paid	-	-
Leave Provision	986,617	136,430
Impairment of fixed assets	-	1,006,448
Movement in bad debt provision	5,969,862	3,548,828
<u>Prior Year Adjustments (refer to note 24)</u>		
Adjustment for understatement of leave pay provision	-	1,270,893
Councillors pension fund contribution provision reversed	-	(1,065,696)
Present valuing of the Landfill Site provision	-	(1,000,275)
Operating Surplus before working capital changes	34,037,669	19,151,345
Increase/(decrease) in trade payables and unspent grants	(5,793,909)	(1,847,596)
(Increase)/decrease in trade receivables	(503,067)	(3,225,685)
Cash generated by / (utilised in) operations	27,740,693	14,078,061

23 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents include the following bank accounts:

Bank and Cash	213,032	1,551,276
Investments	584,362	7,882,582
	797,394	9,433,858

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

24 CORRECTION OF ERROR

R

The comparatives for 2009/2010 have been restated in respect of the following

Errors in Accounting for Landfill Site Provision

Creditors as previously reported	3,617,000
Effects of the present valuing of the Landfill Site provision not performed in the prior year	(1,000,275)
Restated balance as at 30 June 2010	2,616,725

Errors in Accounting for creditors

Creditors as previously reported	8,989,066
Understatement of leave pay provision	1,270,893
Creditor raised for amount due to Eskom	5,375,976
Legal Expense relating to 2009/2010	566
Stationary expense relating to 2009/2010	14,660
Re - allocation of negative landsale receivable balance to creditors	410,673
Councillors pension fund contribution provision reversed	(1,065,699)
Restated balance as at 30 June 2010	14,996,125

Errors in Accounting for Unspent Grants

Unspent Grants as previously reported	4,308,138
Reversal of amount: MIG written off in previous year	5,412,062
Amount due to National Treasury in respect of the Finance Management Unspent grant	1,228,000
Restated balance as at 30 June 2010	10,948,200

Errors in Accounting for Non - Current Receivables

Non - Current Receivables as previously reported	54,440
Writing back landsale debtors	(630,268)
Writing back provision on landsale debtors	177,571
Re - allocation of negative landsale receivable balance to creditors	410,673
Reduction in land sale receivables	(12,426)
Land sale debtor recognised at the incorrect amount in prior years	(90,000)
Decrease in Doubtful Debts provision as a result of error identified in incorrect recognition of land sale debtor	90,000
Restated balance as at 30 June 2010	-

Restatement of the prior year surplus/ (deficit) as previously reported

Surplus for the year as previously reported	9,358,783
---	-----------

Adjustments made for:

Adjustment for understatement of leave pay provision	(1,270,893)
Councillors pension fund contribution provision reversed	1,065,696
Legal Expense relating to 2009/2010	(586)
Stationary expense relating to 2009/2010	(14,660)
Amount due to National Treasury in respect of the Finance Management Unspent grant	(1,228,000)
Reduction in land sale receivables	(12,426)
Writing back provision on landsale debtors	177,571
Being the adjustment for the present valuing of the Landfill Site provision not performed in the prior year	1,000,275

Surplus/ (Deficit) for the year 2010 as restated

9,075,780

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
25 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
AUDIT FEES		
Amount paid - Current year	<u>1,353,154</u>	<u>1,102,121</u>
VAT		
The Vat balances are shown in note 11. All VAT returns have been submitted by the due date throughout the year.		
PAYE and UIF		
Opening balance	-	628,519
Amount written off - current year	-	(628,519)
Current year payroll deductions	3,109,664	2,593,817
Amount paid - current year	<u>(3,109,664)</u>	<u>(2,593,817)</u>
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Opening balance	2,005,836	1,254,267
Current year payroll deductions and Council Contributions	-	-
Amount accrued current year including finance charges	6,720,660	6,106,067
Amount paid - current year	<u>(5,720,660)</u>	<u>(5,354,518)</u>
Amount reversed - previous year	<u>(1,753,433)</u>	-
Amount paid - previous years	<u>(252,403)</u>	-
Balance unpaid (included in payables)	<u>0</u>	<u>2,005,836</u>
26 CAPITAL COMMITMENTS		
<i>Commitments for the forthcoming year are as follows:</i>		
Commitments in respect of capital expenditure:		
MIG Roll over from previous years	1,792,202	8,016,416
MIG Projects	<u>20,868,000</u>	<u>17,351,000</u>
Total MIG	<u>22,660,202</u>	<u>23,367,416</u>
Neighbourhood Development Partnership	10,000,000	15,000,000
Bus and Taxi Ranks	23,410,658	-
Rehabilitation of R66 Road	<u>18,754,847</u>	-
Total Neighbourhood Development Partnership	<u>52,165,505</u>	<u>15,000,000</u>
Testing Ground	2,500,000	-
Vehicles	1,600,000	2,705,000
Computer Equipment	308,000	353,500
Plant & Equipment	<u>2,221,700</u>	<u>3,300,000</u>
Total Other	<u>6,629,700</u>	<u>6,358,500</u>
TOTAL COMMITMENTS	<u><u>81,455,407</u></u>	<u><u>44,725,916</u></u>

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Approved and contracted for:		
MIG Roll over from previous years	1,782,202	10,016,418
Neighbourhood Development Partnership:		
Bus and Taxi Ranks	23,410,858	-
Rehabilitation of R66 Road	18,754,847	-
Total approved and contracted for	43,957,707	10,016,418
Approved but Not contracted for		
MIG Projects	20,868,000	13,351,000
Neighbourhood Development Partnership	10,000,000	15,000,000
Testing Ground	2,500,000	-
Vehicles	1,600,000	2,705,000
Computer Equipment	306,000	353,500
Plant & Equipment	2,221,700	3,300,000
	37,497,700	34,709,500
TOTAL COMMITMENTS	81,455,407	44,725,918

27 Operating lease commitments

At the reporting date the council has outstanding commitments under operating leases which fall due as follows:

Due within 1 year	326,347	319,208
Due within 2 - 5 years	622,811	934,346
Due greater than 5 year	-	-
Total	949,158	1,253,554

Operating lease payments represent rentals payable to Nashua for certain of the

At the reporting date the council has outstanding commitments under finance leases which

Due within 1 year	302,926	458,085
Due within 2 - 5 years	-	304,907
Due greater than 5 year	-	-
Total	302,926	763,002

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
28 Contingent Liabilities		
There are no contingent liabilities to report in the current year. The contingent liabilities reported in the prior year has been resolved as follows:		
- The claim by the previous municipal manager was dismissed by the CCMA and the Labour Court. No expenditure was incurred with regards to this claim.		
- The reduced Eskom claim of R5.4million at the end of the prior year has been raised as a creditor. Refer to note 24		
- The Farmtrack claim was settled in the current year for the amount of R79,712. This amount has also been disclosed as wasteful and fruitless expenditure. Refer to note 29		
29 Irregular, Wasteful and Fruitless Expenditure		
Irregular expenditure		
Councillors remuneration was not properly determined in accordance with the local government gazette which has resulted in an overpayment of R980, 461 in the current year.		
Expenditure incurred due non-compliance with Supply Chain Management Regulations had amounted to R8,717,378 for the current year.		
Fruitless and Wasteful Expenditure		
A claim made against the municipality in the 2010 year by Farmtrack for storage of a tractor was paid by the municipality in the current year. The amount paid was R79,712		
Interest and penalties levied due to the late payments of payroll taxes to SARS amounted to R4,500.		
Expenditure incurred for the construction plans in order to turn the basement parking into offices resulted in fruitless and wasteful expenditure of R18,713.		
Penalty interest on the non payment of pension fund contributions amounted to R159,403 in the prior year.		
Apart from the over expenditure on the budget in respect of operating expenses (Refer to appendix D), there have been no additional expenditure that can be classified as fruitless and wasteful expenditure.		
<u>The following expenses have been overspent on:</u>		
Salaries, wages and allowances by R2,514,657		
General expenses by R4,725,001		
30 FINANCIAL RISK MANAGEMENT		
Financial Risk Management Objectives		
Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.		
The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating interest rate risk.		
Due to legislative restrictions, the municipality does not enter into or trade financial instruments, including derivative financial instruments.		
30.1 Maximum credit risk exposure		
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:		
Investments	584,382	7,882,582
Cash and Cash Equivalents	213,032	1,551,276
Trade and other receivables	6,645,349	6,784,818
Maximum Credit Exposure	<u>7,442,743</u>	<u>16,218,676</u>

NONGOMA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

30.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Unspent Grants can be cashed back, however there is currently an estimated unfunded amount of R4,5M in respect of unspent grants. The municipality intends to put plans into place to address the shortfall. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into amounts due within the 12 months after financial year end. The amounts disclosed in the table are the contractual undiscounted cash flows.

Instalment sale obligations	302,926	458,095
Trade and other payables	10,111,687	10,244,027
Other: Refuse and Post Medical Retirement Benefits	1,288,672	1,249,000
	<u>11,703,285</u>	<u>11,951,122</u>

30.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

- Investment Deposits	584,362	7,882,582
- Bank Balances and Cash	213,032	1,551,276
Maximum Interest Exposure	<u>797,394</u>	<u>9,433,858</u>

30.4 Other price risk

Due to legislative restrictions, the municipality does not trade these investments.

31 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix D. A summary of this information has been included below with reasons to the variances included in Appendix D:

Total Income	59,837,660
Final Budget	61,510,384
Actual Income	<u>1,672,724</u>
Variance	
Total Expenditure	59,098,108
Final Budget	71,369,776
Actual Expenditure	<u>(12,271,668)</u>
Variance	
Capital Expenditure	45,215,589
Final Budget	34,103,367
Actual Capital Expenditure	<u>11,112,222</u>
Variance	

NONGOMA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS
FOR THE YEAR ENDED 30 JUNE 2011
APPENDIX A

	Interest Rate	Repayment Date	Balance at 30/06/2010 R	Received During the Year R	Redeemed During the Year R	Adjustments R	Balance at 30/6/2011 R
Wesbank - Motor Grader Deal No FBK047/0004H	14.5%	01 February 2012	563 876	-	(337 063)	(2 944)	223 869
Wesbank - Nissan X 2 Deal No FBK047/0002K	14.5%	01 February 2012	57 656	-	(34 465)	(301)	22 890
Wesbank - RAV 4 Deal No FBK047/0003J	14.5%	01 February 2012	141 470	-	(84 565)	(739)	56 167
			763 002	-	(456 093)	(3 984)	302 926

**NONGOMA MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2011**

APPENDIX B -1

Asset Class	COST REVALUATION					ACCUMULATED DEPRECIATION			
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance
Furniture and office equipment	R 1,140,153	241,132	-	-	1,381,285	R 575,286	392,843	-	968,129
Transport assets	3,002,919	378,166	-	(130,555)	3,850,531	1,541,295	895,042	(86,148)	2,350,189
Machinery and equipment	1,017,112	223,191	-	-	1,240,303	477,070	155,896	-	632,966
Computer equipment	875,405	243,816	-	(9,017)	1,210,003	339,482	323,548	(6,840)	656,188
Roads	6,300,573	20,551,957	1,561,286	-	28,420,926	249,060	659,053	-	907,103
Non residential dwellings land	34,256,234	-	-	-	34,256,234	3,227,573	-	-	3,227,573
Assets under construction	1,045,235	-	-	-	1,045,235	-	-	-	0
Land	5,153,975	-	-	-	5,153,975	-	-	-	0
Cemeteries	234,060	-	-	-	234,060	65,430	-	-	65,430
Dwellings (buildings)	8,985,844	7,739,459	3,031,500	-	19,753,913	590,735	1,615,737	-	2,206,472
	62,719,509	29,373,640	4,592,887	(139,572)	96,546,463	7,074,921	4,042,116	(92,988)	11,024,049

APPENDIX B -2

Department	COST REVALUATION					ACCUMULATED DEPRECIATION			
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance
Finance	R 384,106	28,647,648	4,592,887	-	33,624,640	R 191,256	492,810	-	684,066
Development Planning	27,851,405	26,709	-	-	27,878,115	1,842,042	1,295,944	-	3,138,986
Production Services	5,162,745	25,126	-	-	5,187,870	2,127,420	905,637	-	3,033,056
Human Resources	30,789	441,852	-	-	472,641	14,379	244,726	-	259,105
Administration	154,581	129,964	-	(9,017)	275,528	73,993	53,656	(6,840)	120,909
Library Services	996,685	42,302	-	-	1,038,987	206,170	76,720	-	282,890
Technical Services	6,420,843	42,486	-	-	6,463,329	310,590	449,976	-	759,565
Tourism	119,707	2,694	-	-	121,391	55,471	29,257	-	84,728
Registry	21,469	14,493	-	-	35,962	14,634	5,707	-	20,342
Office of the Speaker	33,061	-	-	-	33,061	9,008	6,501	-	15,509
Corporate Services	21,545,116	376	-	-130,555	21,414,938	2,229,959	481,183	(86,149)	2,824,994
	62,719,509	29,373,640	4,592,887	(139,572)	96,546,463	7,074,921	4,042,116	(92,988)	11,024,049

NONGOMA MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX C

	2011 Actual Income R	2011 Actual expenditure R	2011 Surplus/ (deficit) R	2010 Actual Income R	2010 Actual expenditure R	2010 Surplus/ (deficit) R
Administration	272,000	11,212,631	(10,940,631)	-	9,549,208	(9,549,208)
Planning	10,959	3,540,943	(3,529,984)	12,433	2,652,731	(2,640,298)
Management	-	5,895,221	(5,895,221)	-	5,147,414	(5,147,414)
Council	-	9,123,399	(9,123,399)	-	8,063,334	(8,063,334)
Finance	93,237,710	27,088,881	66,168,829	59,638,694	15,066,346	44,572,348
Cemetery	-	4,513	(4,513)	-	-	-
Traffic	769,500	2,995,890	(2,226,391)	748,850	2,029,331	(1,280,481)
Roads	-	805,097	(805,097)	-	269,126	(269,126)
Library	311,712	1,085,484	(773,772)	906	290,818	(289,910)
Refuse	1,011,869	9,637,717	(8,625,848)	450,817	8,707,614	(8,256,797)
NET SURPLUS/ (DEFICIT)	95,613,760	71,369,776	24,243,974	60,851,700	51,775,920	9,075,780

KONGOMA MUNICIPALITY
ACTUAL VERSUS BUDGETED REVENUE AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2011
APPENDIX D

	2010/2011 Original Budget	2010/2011 Final Budget	Actual Income/Exp arise	Unauthorised or Expenditure	Variance as a % of Final Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Explanation of significant variance greater than 10% versus Final Budget
INCOME								
Government and Provincial grants and subsidies	51 831 000	54 382 000	54 711 582	318 582	1%	101%	105%	Due to some of NDCG funds delayed during the current year
Rates	2 618 541	2 616 541	2 755 780	139 239	5%	105%	105%	Due to upward revision of tariffs. Tariffs were previously not market related.
Rentals	695 878	695 876	1 011 898	315 992	45%	145%	145%	Due to decrease in the selling revenue. Market still remains were also not needed in the current year based on council decision to demolish the state
Other income	2 662 861	1 418 795	1 048 319	(367 476)	-26%	74%	40%	More efficient management of surplus funds
Interest Received	590 280	717 448	1 060 211	342 763	48%	148%	180%	Disposal of assets were not anticipated
Profit on disposal of assets	-	-	21 888	21 888	100%	0%	0%	A gain on the fair valuation was not budgeted for as it was unforeseen
Interest benefits	-	-	272 000	272 000	100%	0%	0%	A gain on the fair valuation was not budgeted for as it was unforeseen
Gain on fair valuation of assets	-	-	626 592	626 592	100%	0%	0%	A gain on the fair valuation was not budgeted for as it was unforeseen
TOTAL INCOME	55 105 556	58 817 860	61 510 384	1 672 724	3%	103%	105%	
EXPENDITURE								
Salaries, wages and allowances	27 831 555	27 831 555	30 346 112	(2 514 557)	9%	109%	109%	Due to back pay of arrears salaries and allowances not budgeted for. Back pay not budgeted for was 41 R1 M and 1/4 R1 2M resulted from
Finance Charges	484 109	124 390	275 804	(151 414)	122%	222%	57%	Overline payments under budgeted for
General expenses	24 302 845	31 142 783	40 747 860	(8 605 077)	31%	131%	189%	Due to unwinding of finance charges on landfill provision not previously prepare valued
TOTAL EXPENDITURE	52 618 509	59 098 728	71 369 776	(12 271 048)	21%	111%	136%	Depreciation and doubtful debts under-budgeted for
SURPLUS/DEFICIT	2 487 047	- 7 280 868	- 10 859 392	(10 859 392)				
Transfers recognised - capital	32 351 000	45 215 569	34 103 367	11 112 222	-25%	76%	105%	Due to some of MIG and NDCG projects not implemented during the current year.
Surplus after capital transfers & contributions	38 218 217	45 985 141	24 343 974	21 641 167	1%	53%	83%	
Capital expenditure & funds sources	38 709 600	51 885 089	32 367 887	(19 517 192)				
Transfers recognised - capital funded by Grants	35 708 580	51 885 089	32 367 887	(19 517 192)				Due to some of MIG and NDCG projects not implemented during the current year. The acquisition of this refuse truck and the construction of the testing ground was deferred to the new financial year.

**NONGOMA MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES
FOR THE YEAR ENDED 30 JUNE 2011**

**APPENDIX E
DISCLOSURE OF GRANTS AND SUBSIDIES**

Name of Grant	Unspent portion 2009/2010 financial statements R	Adjustments and Transfers R	Receipts during the year R	Expenditure during the year R	Unspent portion 2010/2011 financial statements R	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non- compliance
Library Grant	-	-	310,966	310,966	-	No	N/a	Yes	N/a
Tourism Grant	-	-	80,000	80,000	-	No	N/a	Yes	N/a
Finance Management	467,466	1,228,000	1,200,000	1,607,466	1,228,000	No	N/a	Yes	N/a
Municipal Integrated Grant	3,492,870	5,412,060	17,351,000	24,463,728	1,792,202	No	N/a	Yes	N/a
Neighbourhood Development Partnership MSIG	-	-	12,000,000	11,776,322	223,678	5,500,000	Refer to note below	Yes	N/a
Management Assistance Program	147,803	-	750,000	897,803	-	No	N/a	Yes	N/a
	200,000	-		200,000		No	N/a	Yes	N/a
	4,308,139	6,640,060	31,681,966	39,396,285	3,243,880				

Note: Neighbourhood Development Partnership- No reason was advanced by National Treasury on the delay, however a roll-over to the new financial year has been applied for